LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 6969 | **NOTE PREPARED:** Jan 3, 2013
BILL NUMBER: SB 390 | **BILL AMENDED:**

SUBJECT: Nuclear Energy Facilities.

FIRST AUTHOR: Sen. Boots | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State
X **DEDICATED**
FEDERAL

Summary of Legislation: The bill provides that projects involving the construction of nuclear energy production or generating facilities qualify for the financial incentives available for clean energy projects. Under current law, only projects involving the life cycle management of such facilities qualify for the incentives.

For the purpose of the statute governing the incentives, the bill amends the definition of: (1) "nuclear energy production or generating facility" to include a facility constructed in Indiana after June 30, 2013; and (2) "qualified utility system expenses" to specify that the term includes preconstruction costs and applies to a new energy production or generating facility or a new nuclear energy production or generating facility.

The bill requires the state utility forecasting group to include nuclear power in its annual study on clean energy resources.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Summary:* The utility forecasting group would have to collect additional information to fulfill the additional annual study requirements in the bill. This could result in a minimal increase of cost to the utility forecasting group. The Indiana Utility Regulatory Commission (IURC) financially supports the utility forecasting group.

The bill makes changes to definitions that relate to the voluntary clean energy portfolio standard (CPS) program (*explained in background information*). These changes could increase the number of electricity suppliers that are approved to participate in this program. This could result in additional administrative cost for the IURC.

Background Information - P.L 150-2011 defined “clean energy projects” and along with the clean coal technology it also included nuclear energy production or generating facility in its definition. It also defined ‘nuclear energy production or generating facility’. That definition required that the facility must be supplying electricity to customers on July 1, 2011. This bill changes the definition of ‘nuclear energy production or generating facility’ to include a facility constructed in Indiana after June 30, 2013.

The bill also changes the definition of "qualified utility system expenses" to specify that the term includes preconstruction costs and applies to a new energy production or generating facility or a new nuclear energy production or generating facility. It specifies that the term includes siting, design, licensing, and permitting costs, regardless of whether the facility for which such costs are incurred is ultimately constructed or placed in service.

Voluntary Clean Energy Portfolio Standard Program: Indiana voluntary clean energy portfolio standard (CPS) program is also known as the CHOICE program. It stands for Comprehensive Hoosier Option to Incentivize Cleaner Energy. CHOICE is a financial incentive program for supplying electricity generated from clean energy resources. An electricity supplier that seeks to participate in the program must submit an application to the IURC showing a reasonable expectation of being able to supply 10% of its electricity from clean energy by December 31, 2025.

It works on a sliding scale, where the electricity that the participants will provide to their customers will include an average of 4% from renewable sources between 2013 and 2019. It increases to 7% beginning 2019 and 10% beginning 2025. Electricity suppliers are provided an incentive to take part in the program and reach the three Clean Energy Portfolio Standard (CPS) goals. After attaining each goal, the utility may be allowed to increase its Return On Equity by as much as 50 basis points over its currently approved rate of return. Current law defines "electricity supplier" as a public utility that furnishes retail electric service to the public, but does not include municipally owned utilities.

Explanation of State Revenues: To the extent that the provisions of this bill increase utility rates, there could be an increase in Utility Receipts Tax (URT), Utility Services Use Tax (USUT), and Sales Tax collections. The amount of any increase is indeterminable and will depend on the voluntary participation in the program and rate adjustments allowed by the IURC.

The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund.

Sales Tax revenue is deposited in the state General Fund (99.848%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Utility Regulatory Commission, Indiana Office of Utility Consumer Counselor.

Local Agencies Affected:

Information Sources:

Fiscal Analyst: Randhir Jha, 232-9556.